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Nationwide EHR implementation price tag estimated at $150 billion

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Full implementation of networked e-health records in U.S. doctors' offices and hospitals could cost around $150 billion over eight years, a California professor told an Institute of Medicine workshop today.

Robert Miller, a professor of health economics at the University of California, San Francisco, acknowledged that his $150 billion ballpark estimate sounded like a large sum but called it "manageable" because it amounts to less than a 1 percent increase per year in the nation's total health care spending.

He said hospitals are further along the path toward implementing clinical information systems, partly because they get some boosts in revenues when they install EHRs. Also, Miller said, large hospital organizations and hospital investors increasingly see IT as an expected cost of doing business.

With hospital profit margins around 5 percent, he added, "most hospitals with most beds can afford it." However, public and small hospitals and some highly leveraged for-profit hospitals are likely to lag behind.

Miller's projections call for hospitals to spend $35 billion to acquire and expand EHR systems and $55 billion in new operating costs over eight years. He said this level of spending would bring hospitals' IT spending closer to that of other industries.

Fewer than 5 percent of doctors are using fully functional EHRs, Miller said, using figures recently reported in the New England Journal of Medicine. To equip the remaining 96 percent with EHRs will cost about $15 billion in capital outlays and $24 billion in new operating costs, he said.

To those costs, he added about $20 billion for EHRs in nursing homes and the offices of other medical professionals, bringing the total to around $150 billion.

However, he said the grand total could be as low as $100 billion or less because of offsetting increases in medical revenues and other factors.

Miller spoke at a workshop on building an information infrastructure that will enable researchers to compare the effectiveness of one medical treatment with another. He said having a health IT infrastructure won't necessarily improve the quality of medical treatment because most EHR users aren't using the systems to generate comparative effectiveness and other quality data.

"Financial incentives and reporting requirements are going to be key" to getting useful data from EHR users, Miller said.

Earlier estimates of the cost of implementing e-health records generally have been somewhat lower. The Rand Corp. reported in 2005 that the total cost over 15 years would be $114 billion, an amount Rand said would be completely offset by cost efficiencies and other financial

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benefits of EHR use.

Another study that year, published in the Annals of Internal Medicine, predicted that a nationwide health information network would cost $156 billion over five years in capital expenditures alone.

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